USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 5/12/2004

GAIN Report Number: JA4710

Japan

Cotton and Products

Annual Cotton Report

2004

Approved by:
Emiko Purdy, Director
American Consulate, Osaka-Kobe, Japan

Prepared by:
Akemi Harima, Marketing Specialist

Report Highlights:
Japan's imports of raw cotton in MY 2003/04 are estimated at 170,000 metric tons, down 23% from the previous year. This sharp decline is due to the closure of some large-scale plants, an influx of inexpensive ready-made goods from China, and the slow economy in Japan. The U.S. market share is expected to account for 40% while Australia is estimated at 35% in MY 2003/04. Japan's imports of raw cotton in MY 2004/05 are estimated at 150,000 metric tons, down 12% from the MY 2003/04 level. The U.S. market share is expected to be the same as Australia in MY 2004/05 at 36% of the total imports.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Osaka ATO [JA3]
[JA]

Table of Contents

Executive Summary 3
Production 4
Consumption 4
Trade 6
Stocks 8
Policy 8
Marketing 8

Executive Summary

Total imports of raw cotton into Japan in MY 2003/04 are estimated at 170,000 metric tons, down roughly 23% from the previous year. The U.S. market share in MY 2003/04 is expected to account for 40% while the Australian market share is estimated at 35% due to severe drought conditions in Australia. Three major spinners in Japan have closed their large-scale plants in MY 2003/04 contributing to the sharp decline in the Japanese raw cotton consumptions.

Japanese imports of raw cotton in MY 2004/05 are anticipated to decline further but at a slower pace of 12%, since the Japanese economy is finally expected to recover from the decade long recession. The U.S. and Australian market shares are expected to be the same in MY 2004/05 at 36% of the total imports.

Japanese imports of ELS cotton are estimated at a little over 20,000 metric tons in MY 2003/04 and are expected to remain at the same level in MY 2004/05. The Japanese production process has focused on different yarns that cannot be made in overseas plants. Thus, the consumption of ELS cotton has not declined much in the past five years.

Production

There is no major production reported in Japan.

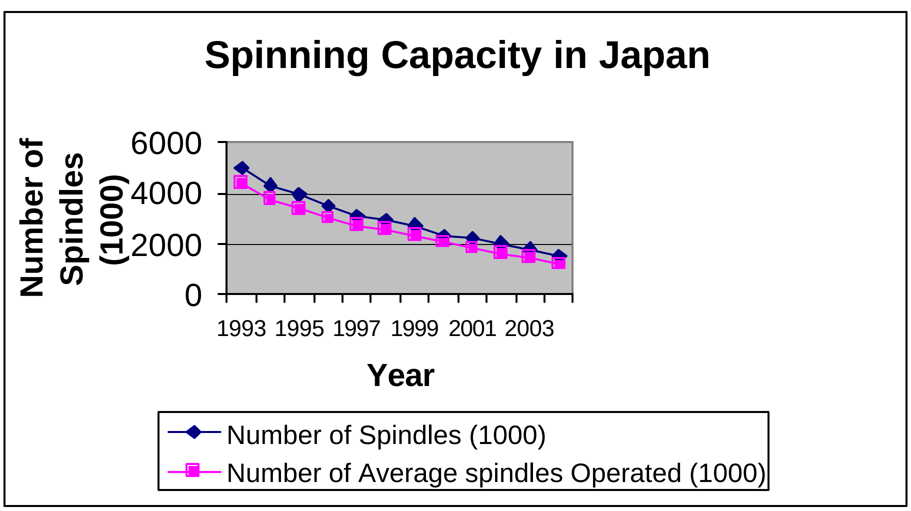
Consumption

Japanese consumption of raw cotton in MY 2003/04 is expected to decrease by 21%, a much sharper decline than anticipated. This is due to the closure of some large-scale plants, continuing imports of inexpensive ready-made goods from China, and the sluggish economy in Japan. Spinning capacity in Japan has shrunk 33% in the past 10 years and many companies have shifted their production offshore. However, Japanese buyers often have decision-making power for raw cotton to be used in overseas plants and still are important targets. Most of the Japanese raw cotton consumption is in spinning. Japanese spinners have been making yarn that can be differentiated from those of other Asian countries. With the slow economy, demand for such differentiated products has been low while demand for inexpensive ready-made goods is strong. However, the Japanese economy is expected to be recovering according to the Government of Japan. Thus, the rate of the decline of the raw cotton consumption in MY 2004/05 is expected to be much slower.

Japanese Spinning Capacity

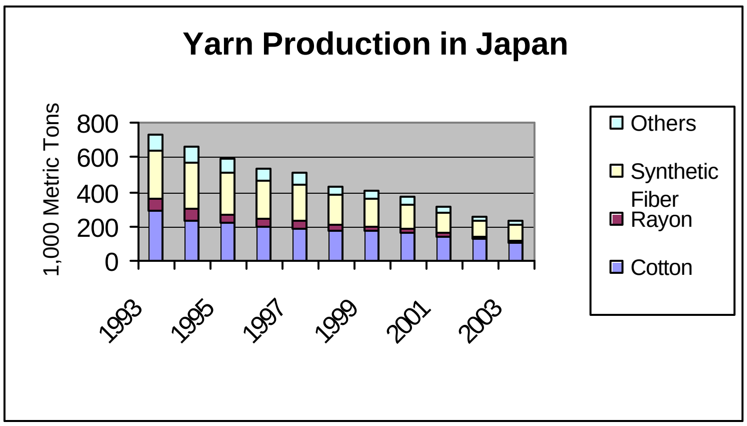
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004*
Number of Spindles (1000)	5001	4330	3957	3513	3082	2917	2758	2327	2222	2030	1779	1539
Number of Average spindles Operated (1000)	4410	3778	3411	3030	2751	2577	2333	2079	1857	1637	1463	1211
Number of Mills	99	91	82	73	65	63	60	54	52	48	43	40
Capacity Utilization (%)	88.20	82.50	83.70	82.30	86.60	85.50	83.60	85.40	83.70	78.00	77.40	78.70

* as of February, 2004



Yarn Production in Japan

	Cotton	Rayon	Synthetic Fiber	Others	Total
1993	284.1	74.1	281.9	88.8	728.9
1994	234.8	62.8	265.8	92.8	656.2
1995	215	57	239.8	74.6	586.4
1996	195.8	48.8	216.2	66.8	527.6
1997	183.5	43.1	214.5	64.3	505.4
1998	173.4	31	177.1	49.6	431.1
1999	171	25.1	158.7	45.7	400.5
2000	158.8	22.3	146.6	37.7	365.4
2001	139.5	18.2	122.6	31.8	312.1
2002	122.2	12.1	95.5	28.1	257.9
2003	107.6	11.6	87.1	23.1	229.4



Trade

Total imports of raw cotton into Japan in MY 2003/04 are estimated at 170,000 metric tons, about 23% lower than the previous year. The United States is expected to supply about 40% of the total or 70,000 metric tons, which is a 20% decline from the previous year. Australian market share is estimated at around 35% in MY 2003/04, down 6% from the previous year level, due to severe drought. However, the drought conditions are expected to subside in MY 2004/05 and the Australian market share is estimated at around 36%, the same level as U.S. market share.

Japanese imports of cotton yarn and fabrics have decreased in the past 10 years while the imports of cotton ready-made goods have almost doubled. Over 90% of the imported cotton ready–made goods is from China.

Japanese imports of ELS cotton are estimated at over 20,000 metric tons in MY 2003/04 and should remain at the same level in MY 2004/05. Japanese production has been focused on differentiated yearns that are not easily made in overseas plants. Thus, the consumption of ELS cotton has not declined much in the past five years.

Japanese Imports of Cotton Yarn:

	Total	Pakistan	Indonesia	China
1993	206.0	158.0	6.5	22.8
1994	209.3	136.7	14.0	25.9
1995	198.9	128.0	15.5	20.7
1996	198.1	120.5	22.6	18.0
1997	202.0	107.6	27.0	22.9
1998	155.0	78.2	29.0	17.5
1999	160.7	74.8	37.4	17.2
2000	124.3	59.4	26.8	12.3
2001	110.8	44.1	23.7	14.7
2002	102.7	35.0	21.8	17.8
2003	104.2	27.0	24.0	23.0

Japananese Imports of Cotton Fabrics:

	Total	China
1993	113.9	92.0
1994	116.7	82.6
1995	98.7	75.6
1996	119.7	83.7
1997	106.3	75.6
1998	90.5	67.2
1999	103.8	73.3
2000	97.0	67.2
2001	85.8	60.7
2002	77.7	57.3
2003	81.8	58.0

Japanese Imports of Cotton Made-Up Goods:

	Total	China	Korea	Vietnam
1993	321.2	224.9	27.4	5.1
1994	378.0	266.4	27.7	10.8
1995	416.9	290.0	29.6	9.9
1996	408.4	293.4	22.9	11.4
1997	382.3	280.0	15.9	14.6
1998	368.2	280.0	17.8	13.4
1999	439.2	348.3	20.5	14.7
2000	578.0	468.0	20.5	18.6
2001	626.5	535.5	18.9	18.2
2002	612.2	537.7	11.7	16.9
2003	635.2	582.7	8.3	18.2

Raw Cotton Imports:

Import Trade Matrix			
Country	Japan		
Commodity	Cotton		
Time Period	August-July	Units:	Metric Tons
Imports for:	2002		**2003**
U.S.	85941	U.S.	70000
Others	85941	Others	100000
Australia	89547		60000
Syria	9263		
India	6456		
Greece	5053		
Zimbabwe	4149		
Egypt	3587		
Total for Others	118055		60000
Others not Listed	16475		40000
Grand Total	220471		170000

Extra-Long Staple (ELS) Cotton Imports into Japan 1/
(Metric Tons)
August-July Marketing Year

	2001/02	2002/03	2003/04	2004/05
U.S.A.	15,700	16,500	15,200	15,200
Egypt	4,500	4,100	4,400	4,000
Sudan	400	700	400	400
Other	700	700	900	700
Total	21,300	22,000	20,900	20,300

Source: Alexandria Cotton Shippers' Association
Supima Association
Japan Cotton Traders' Association

Stocks

The current stock level for raw cotton has been the amount for two-and-half-months consumptions, according to the Japan Cotton Traders' Association.

Policy

There is no particular policy to report.
Zero duty is charged for cotton.
3% duty for cotton yarn containing 85% or more by weight of cotton.

Marketing

Cotton Council International (CCI) has been aggressively promoting U.S. cotton among spinners, apparel makers, retailers, and consumers. Even though the Japanese consumption of raw cotton has declined to half in the past 10 years, Japanese buyers have decision-making power for raw cotton used in overseas plants. Since apparel makers have become global, it seems inappropriate to target raw cotton sales only for Japanese domestic consumption. CCI has been working closely with Japanese apparel makers to provide Cotton USA logo to products that are made in China, i.e., tracing back the distribution to assure that U.S. cotton is used for the product. CCI has been organizing large-scale promotions with retail chains to promote underwear and T-shirts made of U.S. cotton. They have been successful in reaching the Japanese consumers to increase the awareness of high quality U.S. cotton.

PS&D Table

PSD Table							
Country	Japan						
Commodity	Cotton				(HECTARES)(MT)		
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		08/2002		08/2003		08/2004	MM/YYYY
Area Planted	0	0	0	0	0	0	(HECTARES)
Area Harvested	0	0	0	0	0	0	(HECTARES)
Beginning Stocks	48335	43400	51166	47400	40279	47400	(MT)
Production	0	0	0	0	0	0	(MT)
Imports	220557	220500	174181	170000	0	150000	(MT)
TOTAL SUPPLY	268892	263900	225347	217400	40279	197400	(MT)
Exports	0	0	0	0	0	0	(MT)
USE Dom. Consumption	217727	141500	185068	135000	0	120000	(MT)
Loss Dom. Consumption	0	75000	0	35000	0	30000	(MT)
TOTAL Dom. Consumption	217727	216500	185068	170000	0	150000	(MT)
Ending Stocks	51166	47400	40279	47400	0	47400	(MT)
TOTAL DISTRIBUTION	268893	263900	225347	217400	0	197400	(MT)
	TS=TD						